

Accessories, not essential to the operation of exempt machinery, except when sold as an integral part of a qualified machine at the time of purchase, do not qualify for the exemption. (This is a GIL.)

June 13, 2007

Dear Xxxxx:

This letter is in response to your letter dated September 25, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

Greetings from the ABC. I am sure that your summer was busy but I hope it was rewarding as well.

I am writing to request a ruling regarding the sale of locking devices for anhydrous ammonia nurse wagons. You may have heard that state legislature has established and funded a grant program to help fertilizer dealers off-set the cost of purchasing security devices for their anhydrous ammonia facilities in order to protect against the theft of this product for the production of methamphetamine. This program is being administered by the Illinois Department of Agriculture and the first round of applications is due to IDA by October 2, 2006. Our website features a Q & A document about the program as well as the grant application and pictures of the eligible security devices.

The costs associated with purchasing ammonia valve locking devices as well as Glotell® an ammonia additive, are eligible for reimbursement under this grant. In July 2005 you wrote to me informing me that Glotell® is exempt from state sales under 86 Ill Adm Code 130.1405 as well as under the Farm Chemical exemption.

As our fertilizer dealers prepare to purchase Glotell® and locks under this program, I want to make sure that the Illinois Department of Revenue agrees with our assessment that these locking devices, to be utilized on ammonia nurse wagons, are considered

exempt from sales tax under 86 Ill Adm Code 130.305. Nurse wagons are specifically mentioned in this section and the locking device being purchased become an integral part of the equipment on the nurse wagon. We would consider the locks as nurse tank equipment similar to nurse wagon valves, rain caps, hoses, etc. that are all currently exempt from sales tax. The locking devices in question are designed specifically for ammonia nurse wagons, and can not be utilized in any other manner.

I appreciate your attention to this issue. The Dept of Ag will be reviewing the grant applications beginning October 2, 2006 and will be notifying our members of the results by the end of October. If possible, we would like a ruling from the IDOR on this issue prior to October 15 so that we can inform the suppliers of the locking devices if they are indeed exempt from sales tax.

Thank you and I look forward to hearing from you. If you have questions please call me.

## **DEPARTMENT'S RESPONSE**

Attached is a link to the Department's regulation governing the farm machinery and equipment exemption. See, <http://tax.illinois.gov/LegalInformation/regs/part130/130-305.pdf>. As this regulation explains, the Retailers' Occupation Tax does not apply to sales of machinery and equipment, both new and used and including that manufactured on special order, used or leased for use primarily in production agriculture or for use in State or Federal agricultural programs, including any individual replacement part for such machinery and equipment.

As subsection (l) of this regulation provides, "[w]ith the exception of precision farming items, accessories or replacements not essential to the operation of the machinery itself, except when sold as an integral part of a qualified machine at the time of purchase, such as radios, tool or utility boxes, do not qualify for the exemption.

The valve locking devices you have described, while unquestionably performing an important function by preventing the theft of anhydrous ammonia used to make methamphetamines, are the kind of accessory described in subsection (l) that is not eligible for the farm machinery and equipment exemption. Its function is not essential to the operation of the nurse tank itself. Instead, its function is to prevent the theft of the anhydrous ammonia. Unless these valve locks are sold as an integral part of a qualifying nurse tank at the time of purchase, they will not qualify for the farm machinery and equipment exemption.

If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Jerilynn T. Gorden  
Deputy General Counsel – Sales & Excise Taxes

JTG:msk